

Recycling Equipment Credit

Phone Numbers

If any additional information is required, please contact one of the Taxpayer Information and Assistance help numbers:

Phoenix(602) 255-3381
 Tucson(520) 628-6421
 Other Arizona areas1-800-352-4090
 Forms Orders(602) 542-4260
 Forms by FAX(602) 542-3756
 Recorded Tax Information
 Phoenix(602) 542-1991
 Other Arizona areas1-800-845-8192
 Hearing Impaired TDD user
 Phoenix(602) 542-4021
 Other Arizona areas1-800-397-0256
 Internet<http://www.state.az.us/revenue>

ARS §§ 43-1076 and 43-1164 provide a tax credit for individuals and corporations who acquire and place in service recycling equipment in this state. This credit is allowed for taxable years beginning after December 31, 1992. To qualify for this credit, the equipment must be used exclusively to:

1. Process post-consumer select solid waste materials including paper, plastic, scrap metal and iron, glass, and rubber, **or**
2. Produce finished products which are composed of at least 25 percent post-consumer select solid waste materials.

This credit is equal to 10 percent of the installed cost of the equipment. The amount of credit claimed in a tax year cannot exceed the lesser of \$5,000 or 25 percent of the current year's tax liability without applying the credit.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed under ARS § 43-1076 or § 43-1164 based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

A taxpayer who elects to take a credit pursuant to ARS § 43-1076 or § 43-1164 shall not deduct any amount for depreciation or amortization of costs of the recycling equipment in determining taxable income for any taxable year.

Recycling equipment is new or used equipment purchased during the taxable year and used exclusively to process post-consumer select solid waste materials and manufacturing machinery used exclusively to produce finished products, the composition of which is at least 25 percent post-consumer select solid waste materials.

If the allowable credit exceeds the current taxable year's income tax liability, the taxpayer may carry over any unused amount to each of the following 15 taxable years, until the qualified equipment ceases to be recycling equipment or is transferred to another person. If the recycling equipment for which a credit was claimed ceases to be recycling equipment or is transferred to another person during any taxable year, the tax imposed for that taxable year shall be increased by the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed for that year.

A credit allowed under this section is in lieu of a credit under ARS § 43-1080 or § 43-1169 (environmental technology facility credit) with respect to the same recycling equipment.

Line-by-Line Instructions

Complete the name and federal employer identification/social security number section at the top of the form. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers

must also include their TIN on forms where requested. Taxpayers and paid preparers failing to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

Part I - Schedule of Cost of Equipment Placed Into Service in Current Year and Calculation of Current Year's Credit

Enter description of item, date placed in service, and cost for each item of new recycling equipment placed into service in the current taxable year.

Line 1 -

Enter the total cost of the items placed in service during the current taxable year.

Line 2 -

Multiply the amount on line 1 by 10 percent and enter the result.

Part II - S Corporations Only - Special S Corporation Election and Shareholder's Share of the Credit

Line 3 - S Corporation Election

S corporations must complete line 3. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

Lines 4 through 6 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 4 through 6.

The S corporation must complete Part I. Then, complete lines 4 through 6 separately for each shareholder. The S

corporation must furnish each shareholder with a copy of the completed Form 307.

If the S corporation passes the credit through to its shareholders, it must notify each shareholder of the shareholder's pro rata share of the adjustment to income required by the disallowance of depreciation or amortization of the recycling equipment for which the credit is claimed.

Each shareholder must complete Part IV and Part V.

Part III - Partnerships Only - Partner's Share of Credit

Lines 7 through 9 -

A partnership must complete Part I. Then lines 7 through 9 must be completed separately for each partner. The partnership must furnish each partner with a copy of the completed Form 307.

Each partner must complete Part IV and Part V.

Part IV - Available Credit Carryover

NOTE: A taxpayer is allowed to carry forward the amount of the unused recycling equipment credit for a period not to exceed 15 taxable years, provided the equipment remains recycling equipment and is not transferred to another person. However, if any equipment for which the credit was claimed ceases to be recycling equipment or is transferred to another person, the carryover for that equipment is lost.

Calculate the total available carryover of the recycling equipment credit on page 2, Part IV, lines 10 through 25. Complete

these lines if the taxpayer claimed the credit on a prior taxable year's tax return and had excess credit. Enter the applicable taxable year(s) in column (a) of lines 10 through 24. Enter the original amount of recycling credit available for the taxable year in column (b). Enter the amount of credit previously used in column (c). Subtract column (c) from column (b) and enter the amount of the credit available for carryover in column (d). Add the amounts entered on lines 10 through 24, column (d). Enter the total on line 25, column (d).

Part V - Total Available Credit

Line 26 -

Enter the current year's credit. Individuals and corporations (including S corporations that elected to claim the credit), enter the amount from Part I, line 2. S corporation shareholders, enter the amount from Part II, line 6. Partners of a partnership, enter the amount from Part III, line 9.

Line 27 -

Enter the amount of available carryover from Part IV, line 25, column (d).

Line 28 -

Add lines 26 and 27. Enter the total here and on Arizona Form 300, Part I, line 5, or Arizona Form 301, Part I, line 5.

The entire amount of the unused credit shall be carried forward to the earliest of the taxable years to which the unused credit may be carried. Credits for a taxable year shall be applied in the following order:

1. Unused credit carryovers.
2. Current year credits.

Part VI - Recapture of Recycling Equipment Credit

If recycling equipment for which a credit has been claimed ceases to be recycling equipment or is transferred to another person during any taxable year, the tax imposed for that taxable year shall be increased by the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed in the following instructions. A taxpayer shall not carry over any unused credit relating to recycling equipment which ceases to be recycling equipment or is transferred to another person.

Recycling equipment is in service, for determining the percent of credit recapture, from the time it is placed in service until it ceases to be recycling equipment or is transferred to another person. The percent of credit recapture for recycling equipment which has been in service for:

less than 1 year is	100% (1.00)
1 year or more, but less than 2 years is	80% (.80)
2 years or more, but less than 3 years is	60% (.60)
3 years or more, but less than 4 years is	40% (.40)
4 years or more, but less than 5 years is	20% (.20)
5 years or more is zero	

Enter the total credit recapture from Part VI, line 33, on Arizona Form 300, Part II, line 17, or Arizona Form 301, Part II, line 17.